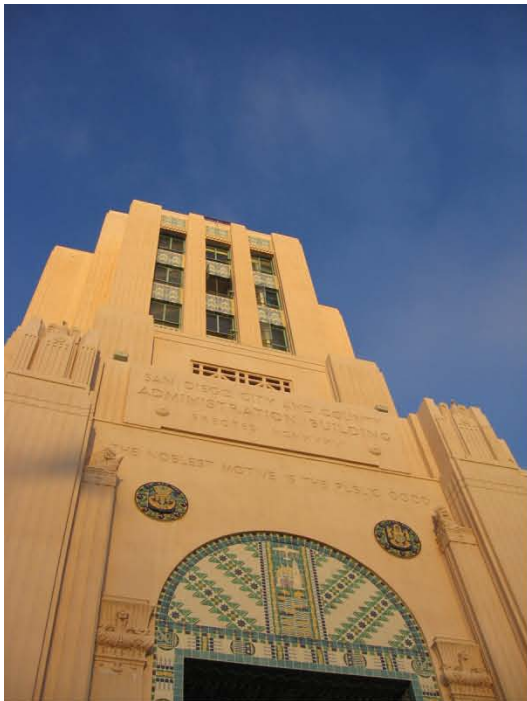




COUNTY OF SAN DIEGO

CREDIT OVERVIEW

May 2012





Introductions

- County Presenters
 - Don Steuer, Chief Financial Officer / Deputy Chief Administrative Officer
 - Dan McAllister, Treasurer-Tax Collector
 - Ernie Dronenburg, Assessor / Recorder / County Clerk
- Additional County Resources
 - Tracy Sandoval, Auditor and Controller / Assistant Chief Financial Officer
 - Tracy Drager, Deputy Controller
 - Ebony Shelton, Director, Office of Financial Planning
 - Jeff Olson, Assessor / Recorder / County Clerk Division Chief
 - Rob Castetter, Chief Investment Officer
 - Brian Hagerty, Group Finance Director
 - Joan Pan, Debt Finance Manager
 - Grace Chang, Investment Officer
 - Damien Quinn, CAO Staff Officer
 - Rosemarie DeGracia, Financial Policy and Planning Officer



Overview

| Section | Tab |
|---|-----|
| Economic Overview | 1 |
| Real Estate Market Update | 2 |
| Fiscal Year 2011-12 Projected Financial Results | 3 |
| Fiscal Year 2012-13 Proposed Operational Plan | 4 |
| County Retirement System | 5 |
| County Investment Pool | 6 |
| Long-term Obligations | 7 |
| Fiscal Year 2012-13 TRAN & Cash Flows | 8 |
| Closing Remarks | 9 |



Executive Summary

- Economic Highlights
 - Diverse and broad local economy
 - Future growth of revenue generating industries and large development projects
 - Low tax payment delinquency rate
- Assessed Valuation
 - Ongoing proactive management approach
 - 1% assessed valuation (AV) decrease reflected in Fiscal Year 2012-13 budget
- County's Financial Strength and Stability
 - Proactive management of cost structure
 - Strong fund balances maintained
 - Structurally balanced budget despite structural changes in State / County responsibilities
 - Continued investment in capital infrastructure
- County Pool continues to garner the highest rating of "AAAf"
 - Confidence in Pool continues to grow, with record balance of \$7.3 billion achieved
 - High liquidity maintained for Pool participants
- Pension System
 - Close monitoring of pension fund performance
 - Additional contribution in excess of required contribution planned for Fiscal Year 2012-13

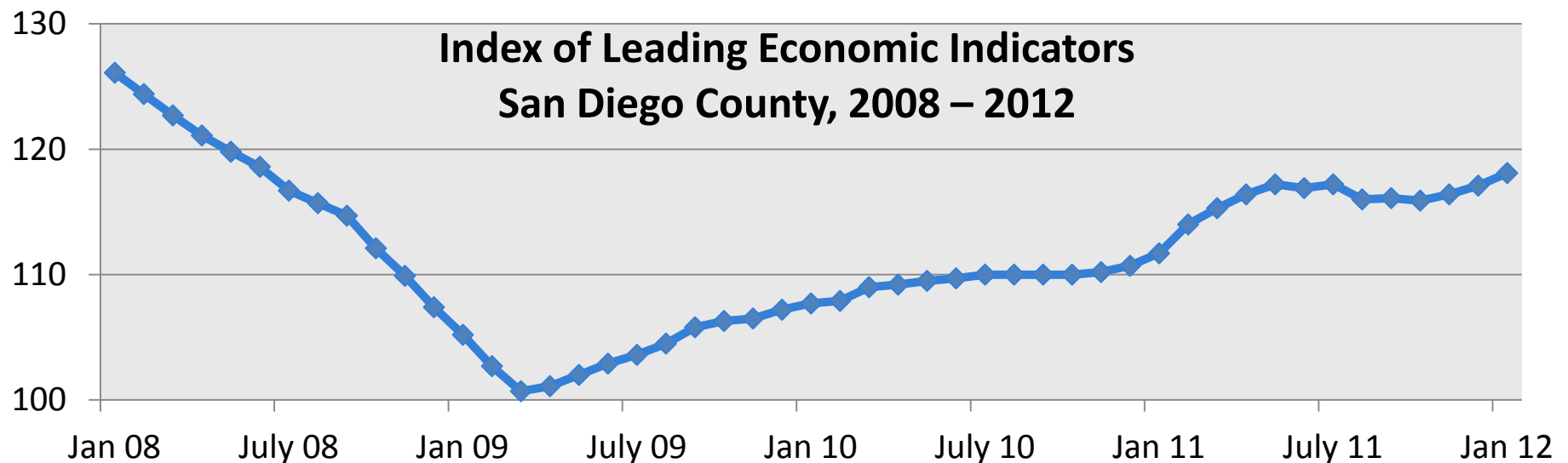


Economic Overview



Regional Economy Continues to Improve

- In January 2012, The University of San Diego's Index of Leading Economic Indicators rose 0.9% from the previous month ⁽¹⁾
 - Increases in both consumer confidence and help wanted advertising
 - Fewer initial jobless claims
 - Increase in local stock prices



(1) Burnham-Moores Center for Real Estate, University of San Diego



Regional Economic Highlights

- San Diego's economy is expected to increase 1.8% in 2012 ⁽¹⁾
 - Region is expected to add 21,000 jobs
 - Consumer spending is on the rise
 - Projected increase of 15.2% in housing construction starts
- In March 2012 the County's unemployment rate was 9.5% ⁽²⁾
 - State unemployment rate was 11%
 - Average unemployment for top ten largest California Counties was 11.2%
- Diverse industries underpin regional economic strength
 - Tourism
 - Major international ports of entry
 - Defense industry
 - Biotech, tech, venture capital (VC) industries

(1) National University System Institute for Policy Research

(2) California Employment Development Department



Tourism

- San Diego Convention and Visitors Bureau expects 31.7 million visitors to spend \$7.8 billion in 2012, compared to the 31.1 million visitors who spent \$7.5 billion in 2011 ⁽¹⁾
 - The Convention Center expansion plan is in the works. The expansion is expected to generate \$698 million of economic activity annually in addition to the \$1.3 billion a year the Convention Center already generates ⁽²⁾
 - Comic-Con will stay in San Diego until 2015
- Large theme parks will be debuting new major attractions in 2012
 - LEGOLAND is unveiling a new water ride in May called "Pirate Reef"
 - SeaWorld is opening a new rollercoaster on May 26 called "Manta"
 - San Diego Zoo has a new 4-D theater

(1) sandiego.org

(2) Unified Port of San Diego



Major International Port of Entry

- San Diego County is home to major international ports of entry
 - In 2011, 42,693,791 people crossed the Mexican border into San Diego County ⁽¹⁾
 - The San Ysidro Port of Entry is the busiest land border crossing in the world, and is undergoing an expansion project ⁽²⁾
 - Construction will begin on the Otay Mesa East Port of Entry 2013; this will be the fourth land border crossing in San Diego County, and will provide greater capacity for freight and vehicle crossing ⁽³⁾

(1) Bureau of Transportation Statistics

(2) General Services Administration

(3) San Diego Regional Chamber of Commerce



Defense Industry

- The military continues to have a strong presence in San Diego County
 - 7 military bases
 - DoD is expected to have spent \$20.6 billion in 2011, creating 385,391 direct and indirect jobs ⁽¹⁾
 - Top government contractors have a strong presence in San Diego County, including Boeing, Booz-Allen Hamilton, General Dynamics, Lockheed Martin, L-3 Communications, Northrop Grumman, Raytheon, and SAIC
- A total of \$4 billion in reconstruction projects are underway at Camp Pendleton ⁽²⁾
 - Includes a new \$451 million hospital consisting of 500,000 square feet to treat troops, their families and retirees
 - The largest project being built by the Navy using 2009 American Recovery and Reinvestment Act funds

(1) San Diego Military Advisory Council

(2) Gretel C. Kovach. "Camp Pendleton breaks ground on new hospital." Union-Tribune San Diego. 10 Dec 2010.



Biotech, Tech, Venture Capital

- 4,900 jobs added in March 2012 ⁽¹⁾
 - 2,900 in private sector
 - 2,000 in government
- The City of San Diego was ranked in Forbes 2011 Top 10 “Best Cities for Technology Jobs”
 - Over 500 biotech companies employing approximately 40,000 people ⁽²⁾
 - Leader in software development, systems integration, data processing and other related services, communications, and clean technology research and development ⁽²⁾
- Venture capital firms invested \$357 million in San Diego companies during the first quarter of 2012 ⁽³⁾

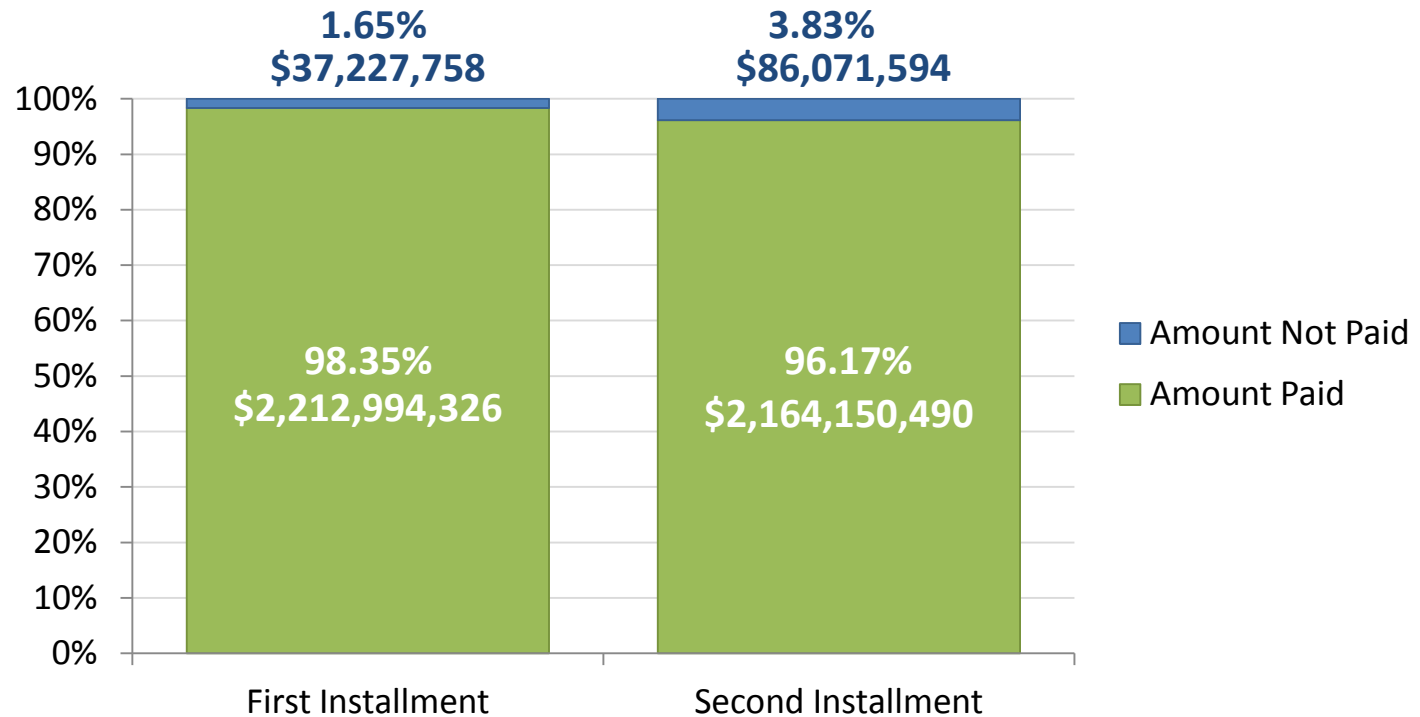
(1) California Economic Development Department

(2) San Diego Regional Economic Development Corporation

(3) National Venture Capital Association



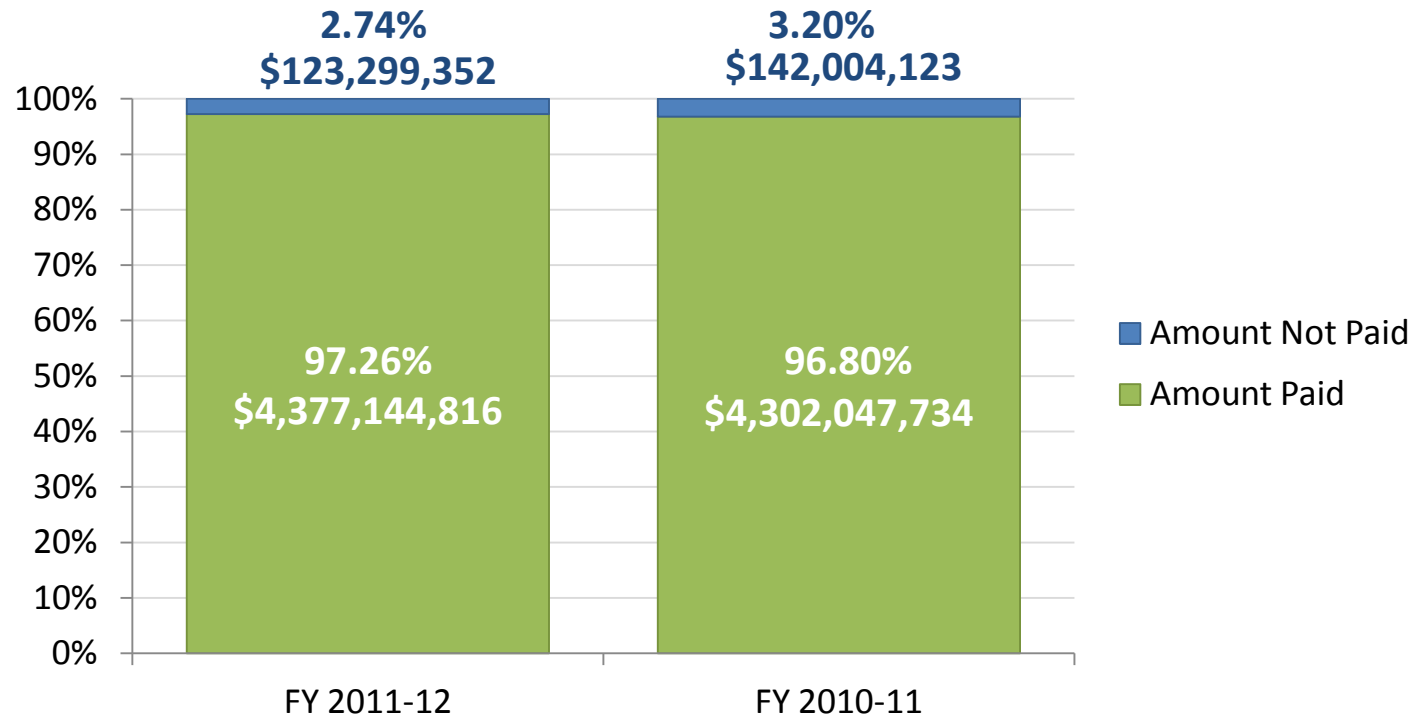
Property Tax Collections: Installment Comparison FY 2011-12



| | Amount Billed | Amount Paid | Amount Not Paid | % Amount Not Paid |
|--------------------|-----------------|-----------------|-----------------|-------------------|
| First Installment | \$2,250,222,084 | \$2,212,994,326 | \$37,227,758 | 1.65% |
| Second Installment | \$2,250,222,084 | \$2,164,150,490 | \$86,071,594 | 3.83% |
| Total | \$4,500,444,168 | \$4,377,144,816 | \$123,299,352 | 2.74% |



Property Tax Collections: Total Comparison FY 11-12 vs. FY 10-11



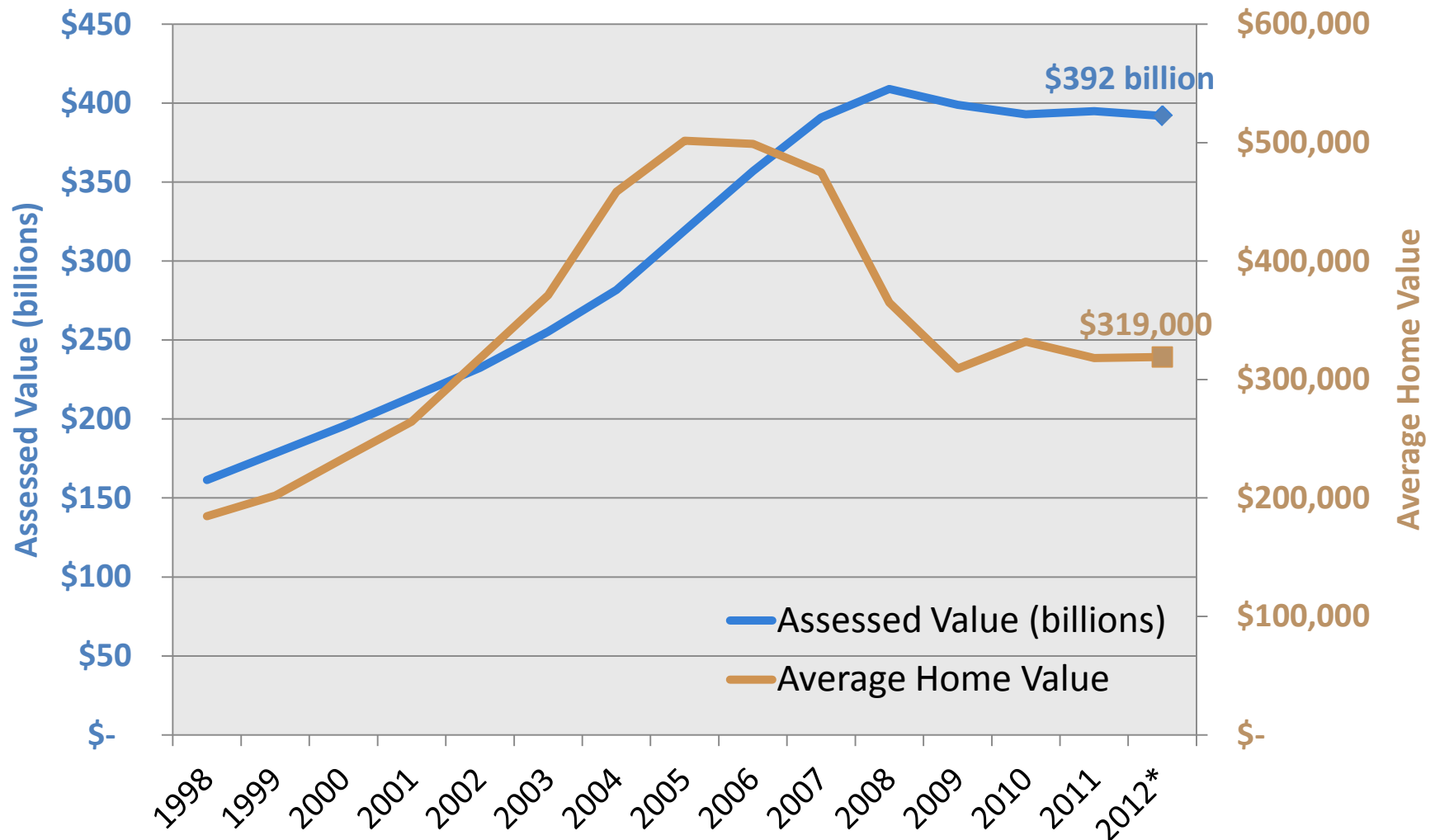
| | Amount Billed | Amount Paid | Amount Not Paid | % Amount Not Paid |
|------------------|-----------------|-----------------|-----------------|-------------------|
| Total FY 2011-12 | \$4,500,444,168 | \$4,377,144,816 | \$123,299,352 | 2.74% |
| Total FY 2010-11 | \$4,444,051,857 | \$4,302,047,734 | \$142,004,123 | 3.20% |



Real Estate Market Update



The Real Estate Market & Assessed Valuation



* 2012 Average Home Price is the average home price for March 2012

Source: County Assessor / Recorder / County Clerk and DataQuick (dqnews.com)

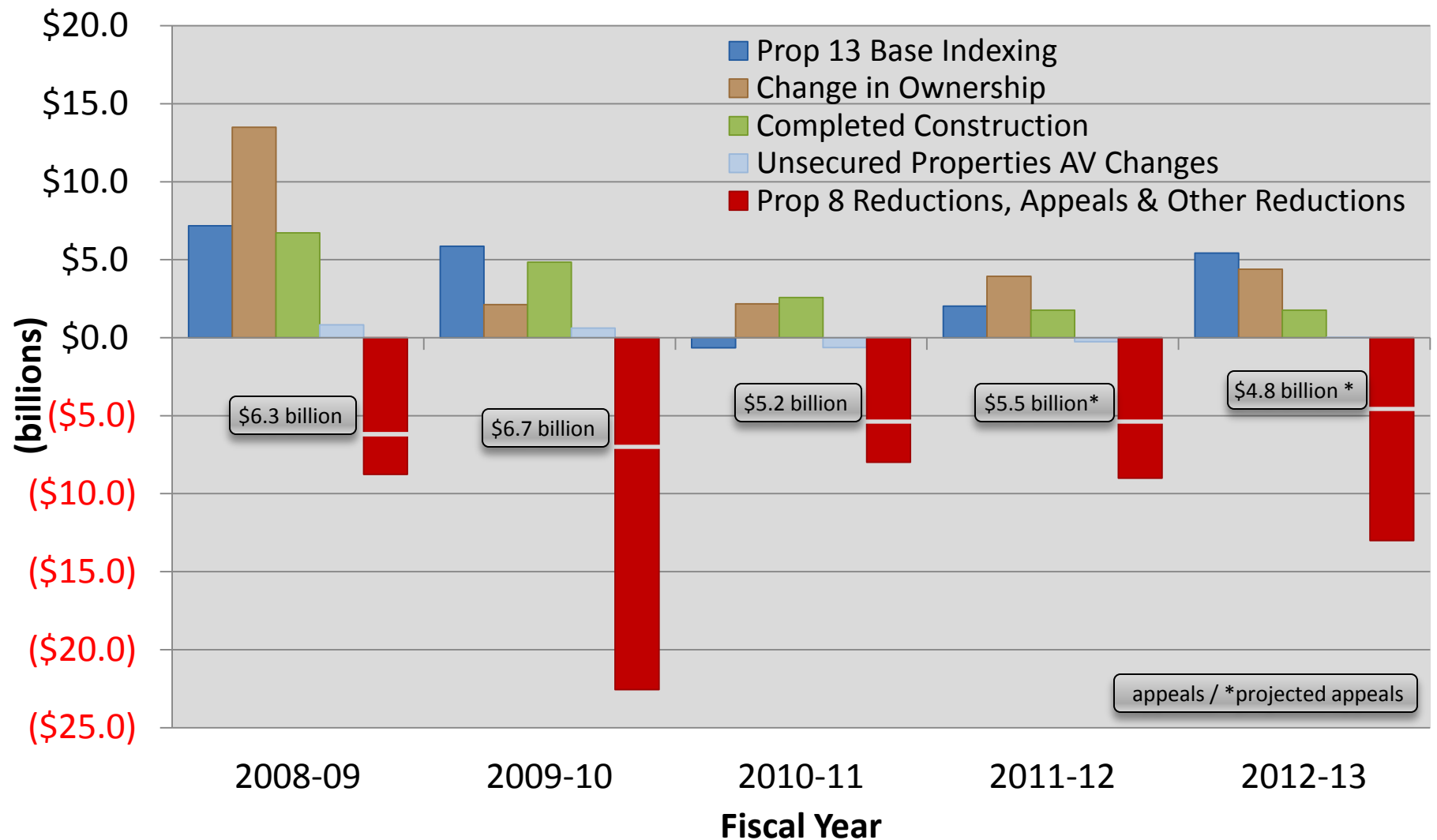


Key Elements of Change in the Annual Property Tax Roll

- Properties with Prop 13 base indexing
- Properties that have changed ownership
- Properties that completed construction this year
- Unsecured properties changes
- Properties with Prop 8 reduction and appeals
- Miscellaneous roll reductions



Historical View of Key Elements





FY 2012-13 Estimated Tax Roll Value Changes

| Changes | FY 12-13 Estimated Total (billions) |
|--|---|
| Prop 13 Based Indexing – 2% | \$5.434 |
| Change in Ownership – \$56,000 per event on average | \$4.391 |
| Completed Construction – flat | \$1.769 |
| Unsecured Properties AV Changes – small positive | \$0.003 |
| Prop 8 Reductions, Appeals & Other Reductions – \$8.24 billion proactive | \$(13.011) |
| Other Properties ⁽¹⁾ | \$(2.018) |
| | Total ⁽²⁾ <u>\$(-3.432)</u> |

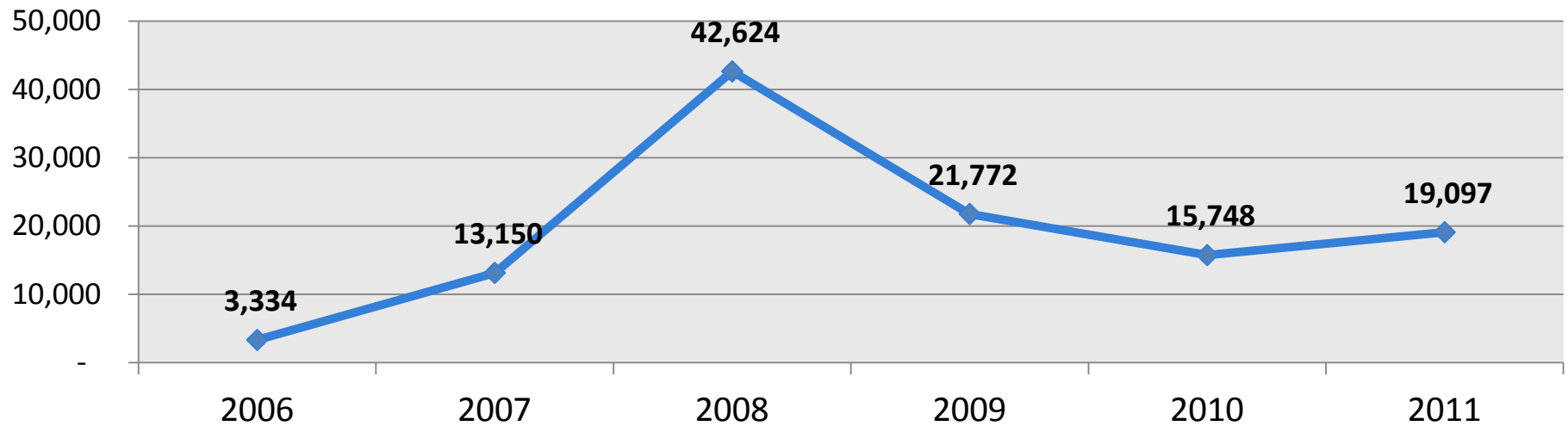
(1) \$1.665 billion of this amount is a total of three one-time only major events

(2) \$3.432 billion is a 0.875% decrease of Fiscal Year 2011-12 AV of \$392.375 billion



Assessment Appeals are Steadying

Assessment Appeal Filings per Year



Average Assessment Appeals Processing Times

| <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|----------------|----------------|----------------|----------------|
| 417 Days | 393 Days | 322 Days | 204 Days |
| 99.9% Complete | 97.9% Complete | 93.7% Complete | 41.1% Complete |

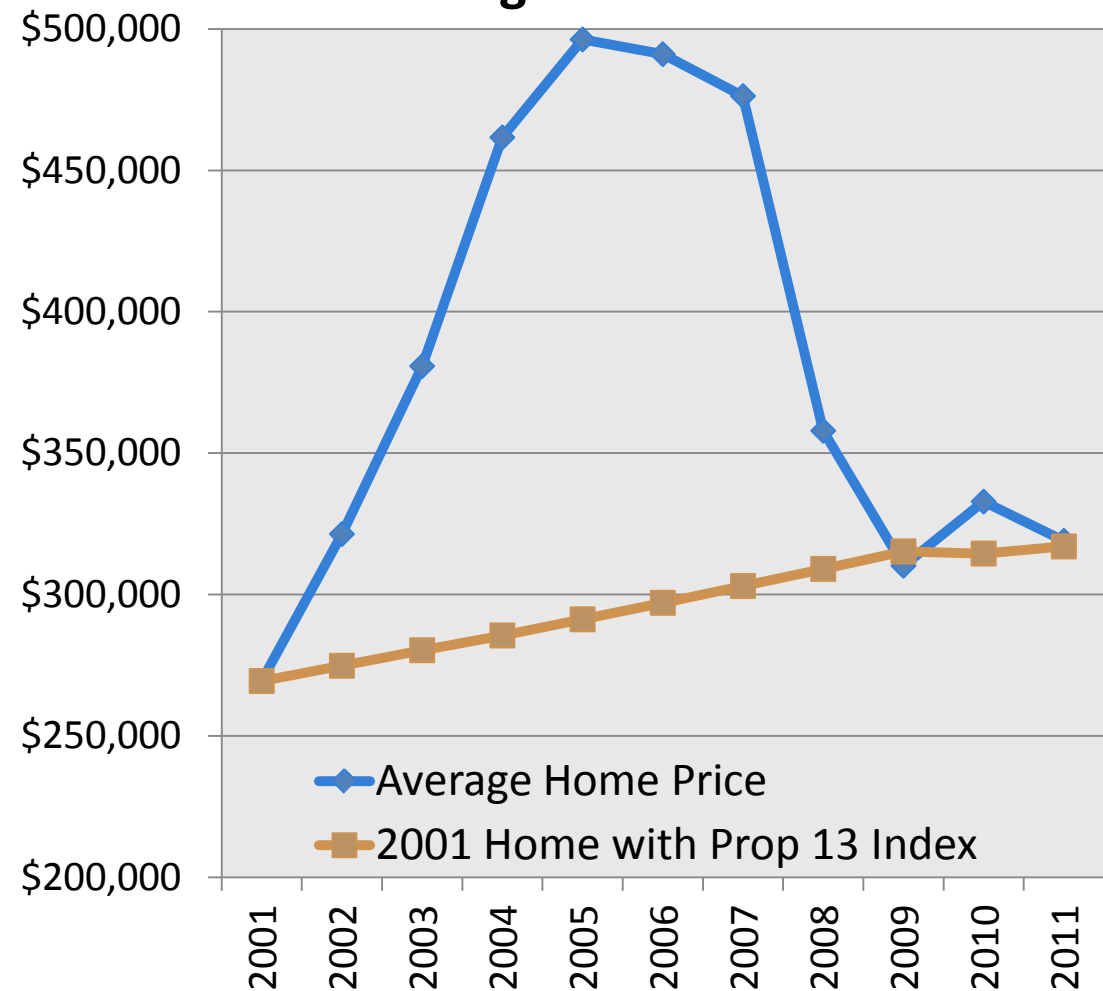


Impact of Indexing

- Case Study: The relationship between property taxes and house value
 - 2001 purchase house
 - Price = “average sales price” in San Diego County
 - No additions or improvements made to the house to date
 - House appreciates at the same rate as the average house in San Diego County

| Year | Average Home Price | 2001 Home with Prop 13 Index |
|------|--------------------|------------------------------|
| 2001 | \$269,000 | |
| 2005 | \$496,000 | \$291,000 |
| 2012 | \$319,000 | \$317,000 |

Consequences of Indexing the Average Home Price





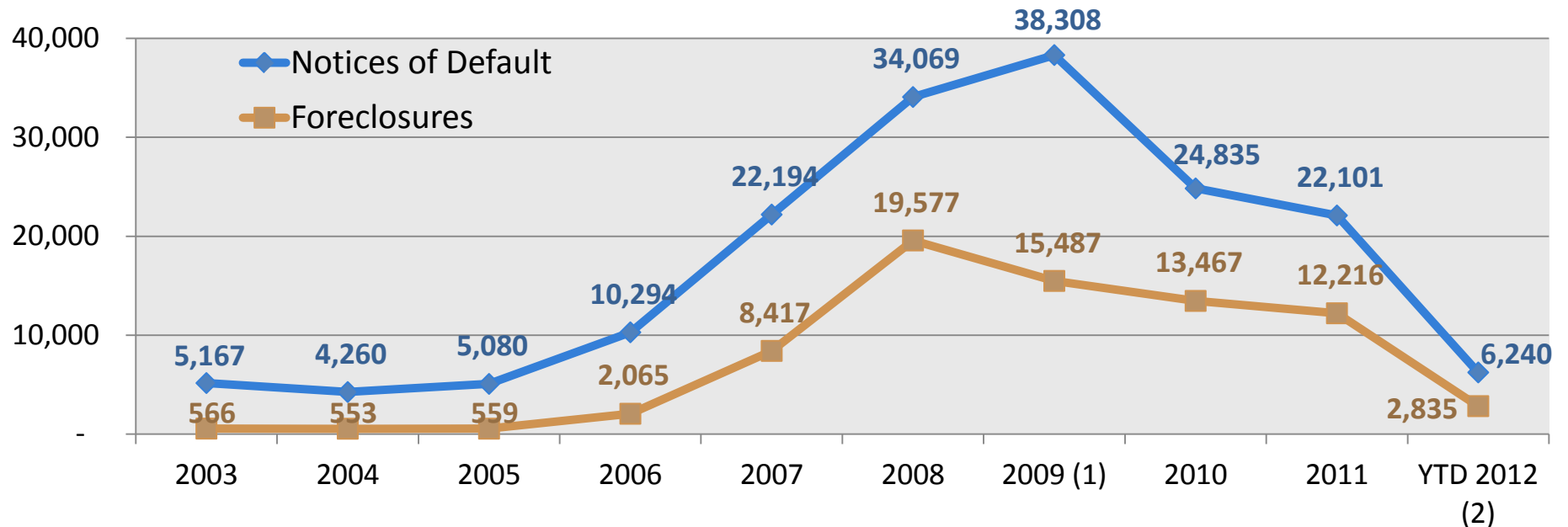
Predicting ... This Year and Beyond

- For the June 30 tax roll:
 - -0.87% change in Assessed Value for Fiscal Year 2012-13
 - Increase of 2% for Prop 13 base (impacts 65% of properties)
 - Continued downward adjustments for properties purchased between 2003 and 2011
 - 56% of properties carry a base assessed value established prior to 2003 – stored value
- Residential and commercial property values
 - This year – 2012
 - Residential properties down 0 to 2%, no change for commercial properties
 - “Low-ball” offers are failing – multiple offers are occurring
 - Short sales and foreclosure sales are increasing – 50%
 - Beyond
 - Slow upward increase in values over the next 2 to 5 years
 - Depressed priced inventory – phantom inventory
 - Demographic changes
 - Slow GDP growth
 - Change in product choices – rent vs. buy



Notices of Default & Foreclosures

- Notices of Default (NODs) and Foreclosures
 - April 30, 2011 to April 30, 2012
 - Foreclosures decreased by 34%; Notices of Default decreased 17%
 - 2010 to 2011
 - Foreclosures decreased 9%; Notices of Default decreased 11%



(1) Senate Bill 1137 passed in September 2008 required lenders to physically contact borrowers prior to filing a NOD, which impacted the number of foreclosures from March – May 2009

(2) YTD 2012 information is through April 30, 2012



Fiscal Year 2011-12 Projected Financial Results



FY 2011-12 Financial Highlights

- Continued reduction of cost structure
 - Reduced 153 FTEs; reduction of 1,516 over 3 years
- Negotiated labor agreements, 2% one time salary payment, 5% flex credit increase, 0.5%-3% reduction in negotiated retirement offset
- Appropriations for capital projects
 - \$70 million for Women's Detention Facility
 - \$35 million for the Waterfront Park
- Continued funding of reserves above targeted levels
- Payment of annual required contribution to SDCERA as determined by actuary
- Third Quarter Projections indicate net General Fund savings of \$182.6 million
 - Expenditures: \$294.3 million lower than amended budget
 - Revenues: \$111.7 million lower than amended budget



FY 2011-12 Third Quarter General Fund Unassigned Fund Balance Projections

| | (in millions) |
|--|----------------|
| Unassigned Fund Balance as of June 30, 2011 | \$612.8 |
| Less Amount used in Fiscal Year 2011-12 Budget for One-Time Expenses | (\$210.1) |
| Less Subsequent Uses Approved by Board of Supervisors | (\$2.9) |
| Total Available Unassigned Fund Balance | \$399.9 |
| Third Quarter Projection of Fiscal Year 2011-12 Budgetary Fund Balance | \$182.6 |
| Total Projected Unassigned Fund Balance at June 30, 2012 | \$582.5 |

- Fund Balance uses during Fiscal Year 2011-12
 - Management and Contingency Reserves
 - Integrated Property Tax System



Strong Fund Balances Maintained

| Fund Balance | FY 2008-09 \$ million / % of FB | | FY 2009-10 \$ million / % of FB | | FY 2010-11 ⁽¹⁾ \$ million / % of FB | | FY 2011-12 3 rd Qtr Projections \$ million / % of FB | |
|----------------------------------|------------------------------------|-------|------------------------------------|-------|---|-------|---|-------|
| Nonspendable | \$12.0 | 1.0% | \$12.6 | 1.0% | \$11.3 | 0.8% | \$10.7 | 0.8% |
| Restricted | 232.1 | 19.5% | 151.7 | 12.4% | 215.0 | 15.4% | 239.1 | 17.1% |
| Committed | 285.6 | 24.0% | 389.4 | 31.9% | 514.7 | 36.9% | 528.8 | 37.7% |
| Assigned | 84.3 | 7.1% | 72.8 | 6.0% | 40.6 | 2.9% | 40.6 | 2.9% |
| Unassigned | 576.0 | 48.4% | 593.6 | 48.7% | 612.8 | 44.0% | 582.5 | 41.5% |
| TOTAL GF FUND BALANCE | \$1,190.0 | | \$1,220.1 | | \$1,394.4 | | \$1,401.7 | |



Conservative Budgeting & Strong Financial Performance

- The County budgets conservatively, consistently generating a net operating surplus

| (in millions) | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 3 rd Quarter |
|--|------------|------------|------------|---------------------------------------|
| Projected Year-End Unassigned Fund Balance ⁽¹⁾ | \$474.6 | \$428.3 | \$525.9 | \$582.5 |
| Actual Year-End Unassigned Fund Balance | 576.0 | 593.6 | 612.8 | TBD |
| Difference | \$101.4 | \$165.3 | \$86.9 | TBD |

(1) Projected net savings as of third quarter for all years



Reserve Targets Maintained or Exceeded

- Reserves have not been used and have been maintained above targeted levels

RESERVE TARGETS AND BUDGETED AMOUNTS

Fiscal Year 2011-12 Budgeted General Purpose Revenue (GPR): \$964.4 million

| (in millions) | Target | | Current |
|---|------------|----------------|----------------|
| Committed Fund Balance – Unforeseen Catastrophic Events | 5% | \$48.2 | \$55.5 |
| General Fund Contingency Reserve – Operations | 2% | 19.3 | 20.0 |
| General Fund Minimum Fund Balance for Economic Uncertainty | 10% | 96.4 | 100.0 |
| TOTAL | 17% | \$163.9 | \$175.5 |



Fiscal Year 2012-13 Proposed Operational Plan



FY 2012-13 Proposed Operational Plan Highlights

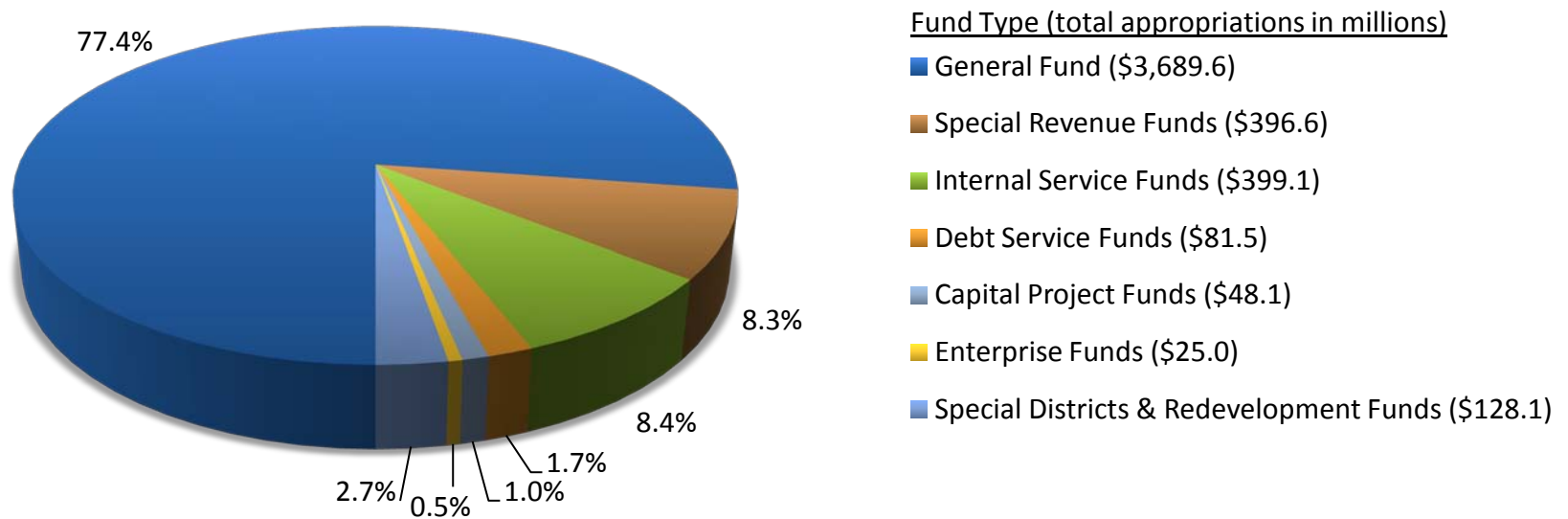
- GPR growth of 0.3% or \$2.7 million and program revenue growth of 1.9% or \$49.5 million
 - Assumes 1.0% decrease in Assessed Value
- Reflects negotiated labor agreements
 - 5% flex credit increase
 - Additional 0.75-2% reduction in negotiated retirement offset
 - 1% one-time salary payment for 5 SEIU bargaining units
- FTE increase of 271.25 – 98% are funded with program revenue
 - 166.0 for Family Resource Centers / ACCESS
 - 89.0 for AB 109 – Public Safety Realignment
 - 16.25 in Other programs
- Proactive pension funding
 - Budgeted retirement contribution of \$19.3 million above ARC
 - Additional Voluntary Contributions will total \$141.7 million since Fiscal Year 2004-05
- Continues pension stabilization fund to prepare for future increases in retirement contributions
- Appropriations for capital projects
 - \$26.2 million for Cedar & Kettner Development
- One-time uses of \$110.6 million to fund one-time projects
- Continues funding of reserves above targeted levels



FY 2012-13 Proposed Operational Plan: All Funds

- Proposed budget for all funds of \$4.77 billion
 - 1.9% decrease from Fiscal Year 2011-12 Adopted Operational Plan

Total Appropriations by Fund Type Fiscal Year 2012-13: \$4.77 billion

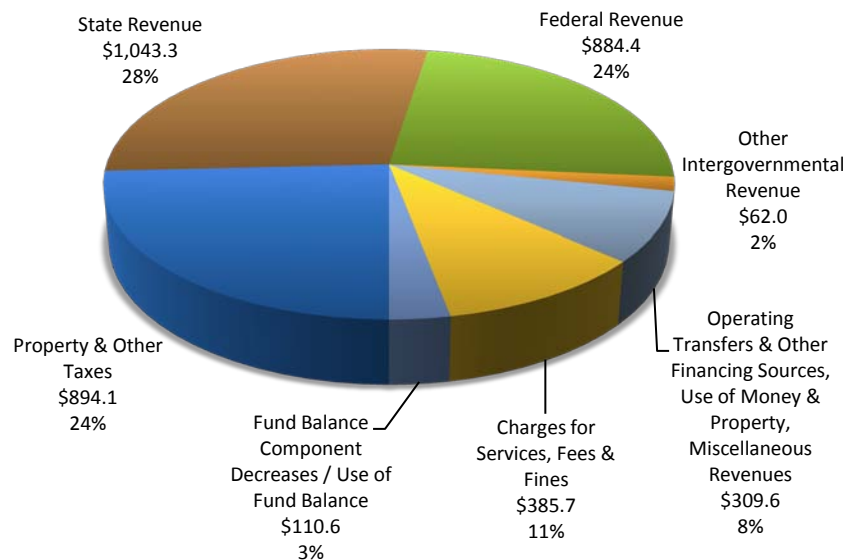




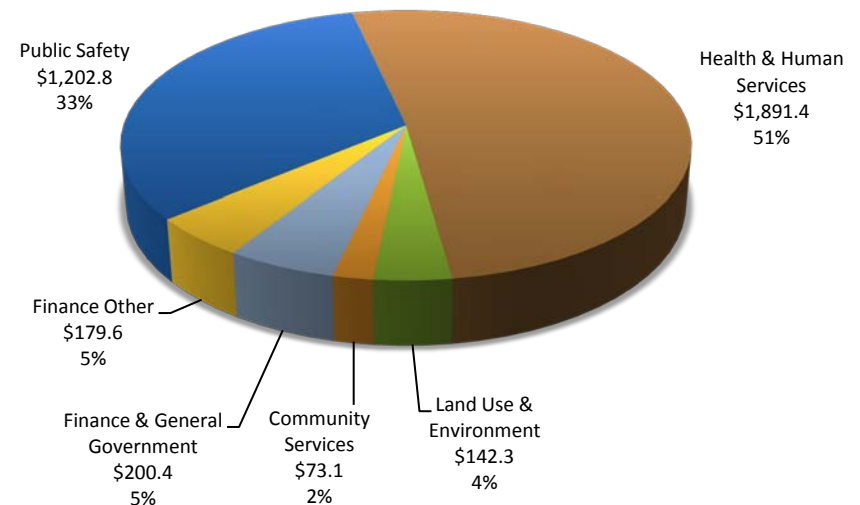
FY 2012-13 Proposed Operational Plan: General Fund

- Proposed budget of \$3.69 billion
 - 1.4% decrease from Fiscal Year 2011-12 Adopted Operational Plan

General Fund Financing Sources
Fiscal Year 2012-13: \$3.69 billion
(in millions)



Appropriations by Group / Agency
Fiscal Year 2012-13: \$3.69 billion
(in millions)

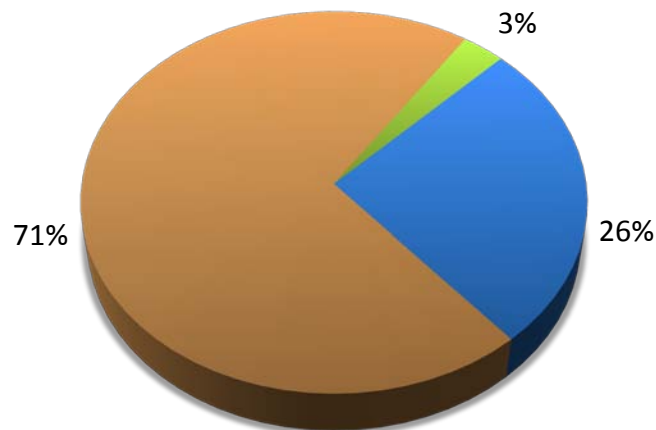




FY 2012-13 Proposed Operational Plan: General Fund Revenue

- Proposed budget of \$3.69 billion
 - 1.4% decrease from Fiscal Year 2011-12 Adopted Operational Plan

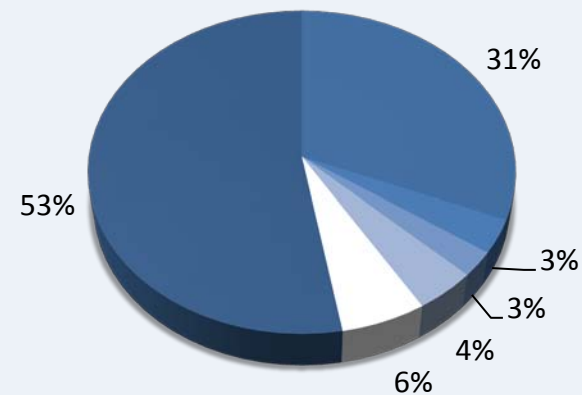
General Fund Financing Sources by Category
Fiscal Year 2012-13: \$3.69 billion



General Fund Financing Source Category (total appropriations in millions)

- General Purpose Revenues (\$967.1)
- Program Revenues (\$2,611.9)
- Fund Balance Component Decreases / Use of Fund Balance (\$110.6)

General Purpose Revenue by Source
Fiscal Year 2012-13: \$967.1 million



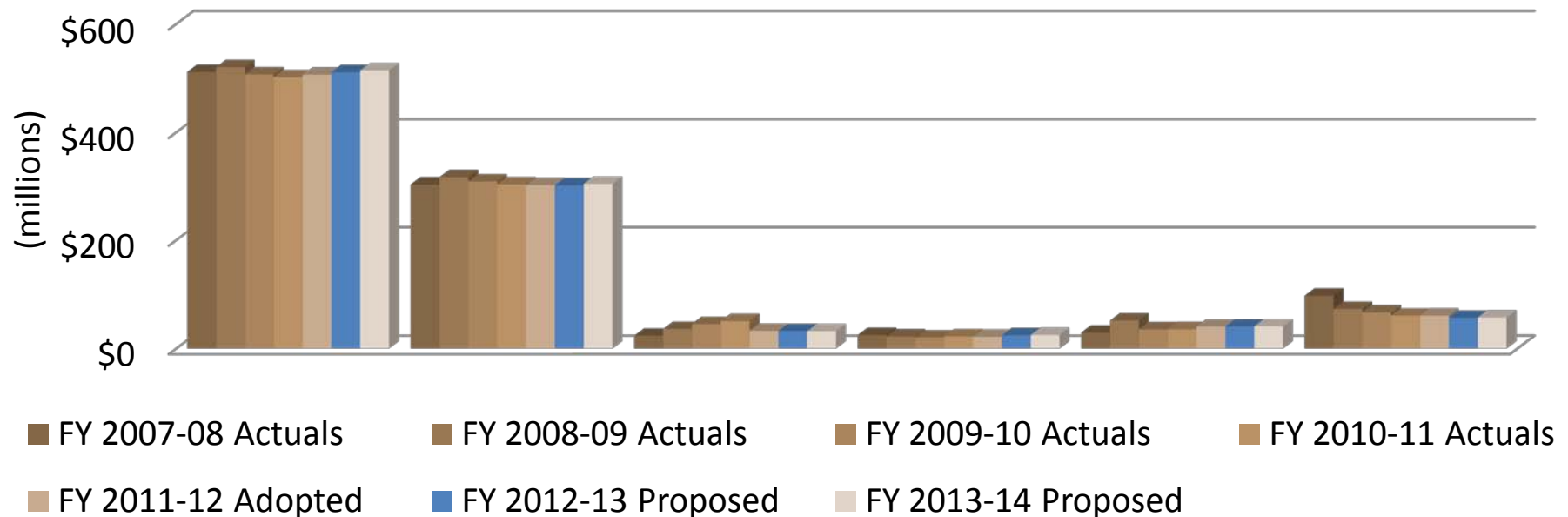
GPR by Source (total appropriations in millions)

- Property Tax Revenue (\$510.5)
- Property Tax in Lieu of VLF (\$301.7)
- Teeter Revenue (\$32.5)
- Sales & Use Tax / In Lieu of Sales (\$24.4)
- Intergovernmental Revenue (\$41.0)
- Other Revenues including RPTT (\$57.1)



Historical General Purpose Revenue

| General Purpose Revenues by Source (millions) | FY 2007-08 Actuals | FY 2008-09 Actuals | FY 2009-10 Actuals | FY 2010-11 Actuals | FY 2011-12 Adopted | FY 2012-13 Proposed | FY 2013-14 Proposed |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------------|------------------------|
| Property Tax Revenue | \$510.8 | \$519.8 | \$506.4 | \$501.2 | \$505.8 | \$510.5 | \$513.9 |
| Property Tax in Lieu of VLF | 303.3 | 316.9 | 308.8 | 303.6 | 302.2 | 301.7 | 304.6 |
| Teeter Revenue | 23.6 | 36.1 | 45.4 | 50.7 | 32.9 | 32.5 | 32.2 |
| Sales and Use Tax/In Lieu of Sales Tax | 24.9 | 22.4 | 20.6 | 22.5 | 21.7 | 24.4 | 25.1 |
| Intergovernmental Revenues | 29.4 | 51.9 | 35.4 | 35.7 | 40.8 | 41.0 | 41.2 |
| Other Revenues including RPTT | 97.9 | 73.3 | 66.7 | 60.9 | 61.0 | 57.0 | 57.5 |
| TOTAL | \$989.9 | \$1,020.5 | \$983.3 | \$974.6 | \$964.4 | \$967.1 | \$974.5 |





Additional Budgeted Reserves

| Reserve | Proposed Budget (millions) | Required Action to Access |
|---|-------------------------------|---|
| Debt Service Reserves | \$24.6 | <ul style="list-style-type: none">• Rating Agency, Insurer, Bondholder consent• Four votes from Board of Supervisors |
| Public Liability Reserve | 36.3 | <ul style="list-style-type: none">• Four votes from Board of Supervisors |
| Workers' Compensation Reserve | 100.3 | <ul style="list-style-type: none">• Four votes from Board of Supervisors |
| Environmental Trust Fund Reserve | 56.0 | <ul style="list-style-type: none">• Existing ordinance amended• Four votes from Board of Supervisors |
| Tobacco Securitization Special Revenue Endowment Fund | 381.2 | <ul style="list-style-type: none">• Board Policy amended• Four votes from Board of Supervisors |
| TOTAL | \$598.4 | |



Potential State Impacts

- \$16.7 billion gap, including a \$1 billion reserve, addressed through:
 - 50% cuts, 35% revenue increases (ballot proposal for temporary sales/income taxes), 15% other solutions
- County Impacts primarily in Health and Human Services
 - Redesign of CalWORKS program
 - Reduction in IHSS hours
 - Changes to Coordinated Care Initiative implementation plan
- If successful, Governor's ballot measure will constitutionally protect 2011 Realignment funding



2011 Realignment

- Assembly Bill (AB) 118, Local Revenue Fund 2011
 - State's financial responsibility for various services shifted to Counties
 - Funding dedicated from a portion of sales tax
- AB 109, Public Safety Realignment 2011
 - Expansion of County responsibility for the management of criminal offenders
 - Community Corrections Partnership
 - Matching offenders with the appropriate level of sanction and service
 - Offenders in Custody
 - Supervision of Offenders in the Community
 - Services in the Community



Dissolution of Redevelopment

- Legislation passed in 2011, and further actions taken by courts, effectively dissolved redevelopment agencies as of February 1, 2012
- Department of Finance, State Controller's Office and Auditor and Controller have responsibilities in overseeing the dissolution process
- County has not included in its budget any potential amounts resulting from redistribution



Looking Ahead

- Continue to monitor short-term and long-term factors
 - Ongoing State budget issues
 - Slow economic recovery
 - Retirement costs
 - Property tax base
 - Sales tax / vehicle license fees
- Strategies to match expenditures to revenues
 - Match program revenue-based services to available revenue
 - Careful consideration of salary and benefit structure
 - Proactively manage retirement costs and obligations
 - Paying above the required contribution
 - Implementing new Tier B for safety and general retirees
 - Negotiating the employer offset
 - Full cost recovery (Board Policy B-29)
 - Re-examine capital program
 - C.O.R.E. (Consolidate Outsource Re-engineer Eliminate)



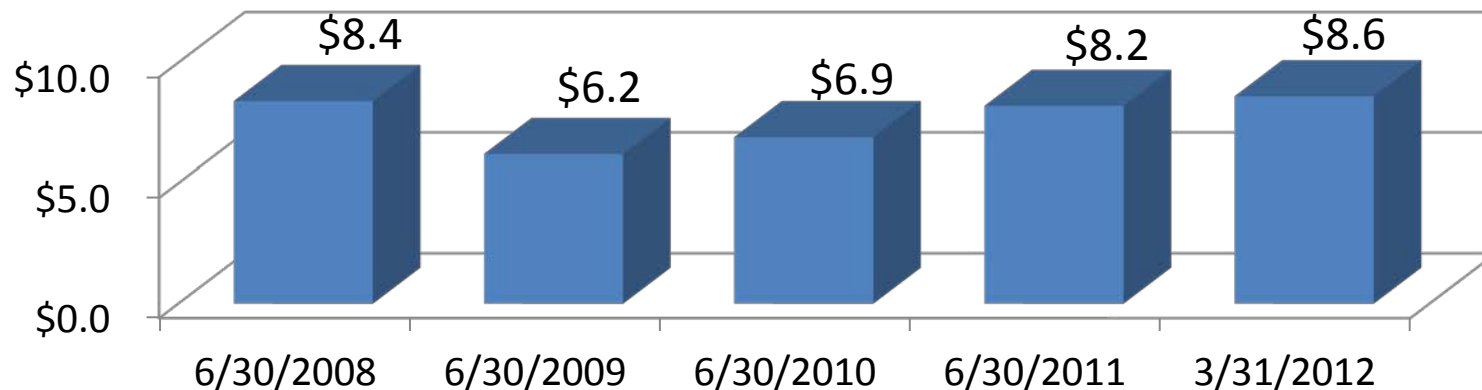
County Retirement System



Retirement System Update

- Estimated total market value of net pension assets
 - June 30, 2011: \$8.2 billion, a 20.9% increase from July 1, 2010
 - March 31, 2012: \$8.6 billion, a 5.6% increase from July 1, 2011
- Pay full annual required contribution, as calculated by the SDCERA actuary, for retirement and Other Post Employment Benefits (OPEB)
- “AAA” rating with Stable Outlook affirmed by Standard & Poor’s Rating Services in February 2012

Estimated Total Market Value of Net Pension Assets
(billions)





SDCERA Funding Status

| Fiscal Year | Employer Contribution | Valuation Date (June 30) | UAAL | Funded Ratio |
|-------------|-----------------------|--------------------------|-----------|--------------|
| 2006-07 | \$258.2 | 2005 | \$1,378.4 | 80.3% |
| 2007-08 | 236.8 | 2006 | 1,232.3 | 83.6 |
| 2008-09 | 219.6 | 2007 | 832.1 | 89.7 |
| 2009-10 | 189.5 | 2008 | 485.4 | 94.4 |
| 2010-11 | 235.4 | 2009 | 785.6 | 91.5 |
| 2011-12 * | 294.6 | 2010 | 1,566.0 | 84.3 |
| 2012-13 * | 326.7 | 2011 | 1,940.0 | 81.5 |
| 2013-14 * | 388.0 | 2012 | 2,432.0 | 78.1 |
| 2014-15 * | 433.0 | 2013 | 2,832.0 | 76.0 |
| 2015-16 * | 429.0 | 2014 | 2,561.0 | 79.5 |
| 2016-17 * | 431.0 | 2015 | 2,354.0 | 82.2 |

* Assumes for the year ending June 30, 2012 and each year thereafter, the Association will earn a market return of 8.00%

Source: The Segal Company, Association Actuary. Projections are based on June 30, 2011 valuation and November 15, 2011 projections



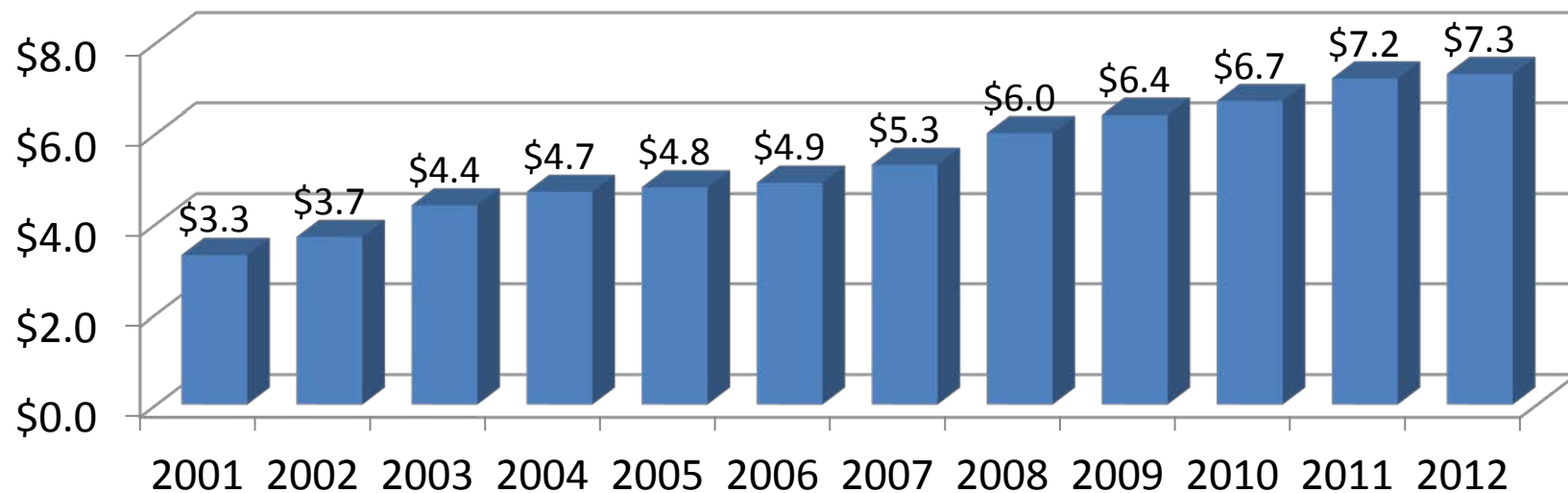
County Investment Pool



Overview

- Pool is currently rated “AAAf” by Standard and Poor’s
- Goals of the Pool
 - Safeguard the principal of the Pool
 - Meet liquidity needs of the participants
 - Achieve a return on the funds within the parameters of prudent risk management
- On April 18, 2012 the Pool reached a new record high balance of \$7.279 billion

Pool Balance
(billions)



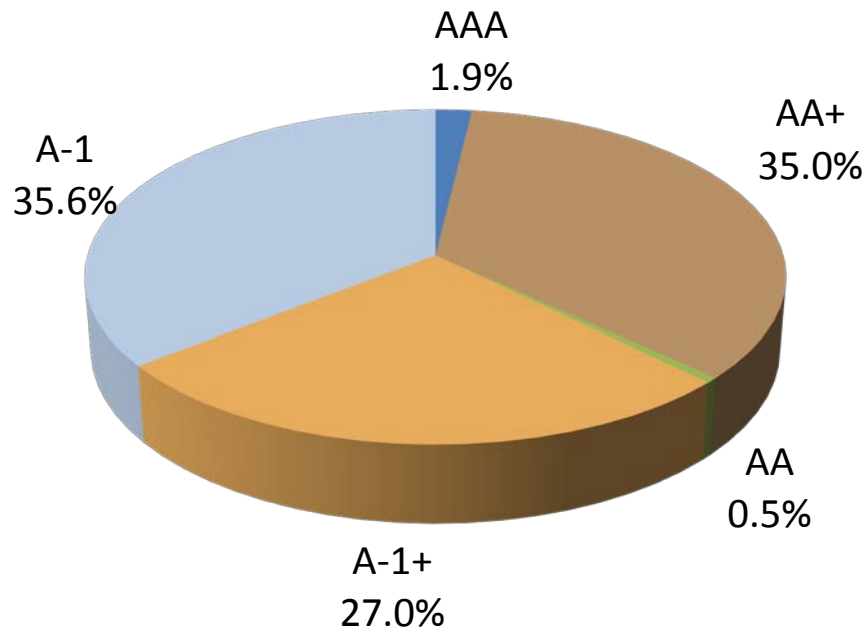


Highly Rated and Liquid

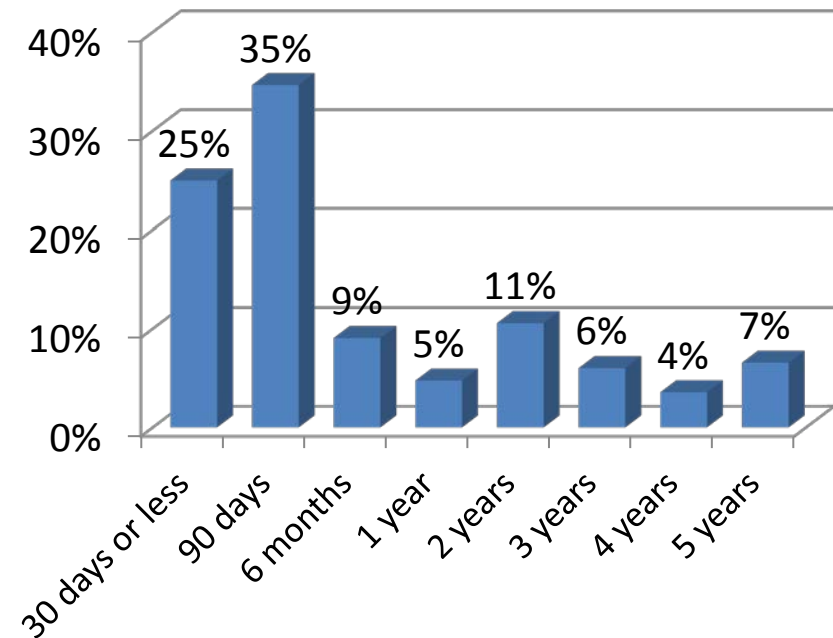
- The pool has maintained a credit rating of “AAAf” since 2001

- The Pool provides ample liquidity to accommodate for State budget challenges
- The Pool has positioned an additional 15% liquidity over the mandated minimum

Credit Rating of Investments
April 2012



Maturity Distribution of Investments
April 2012

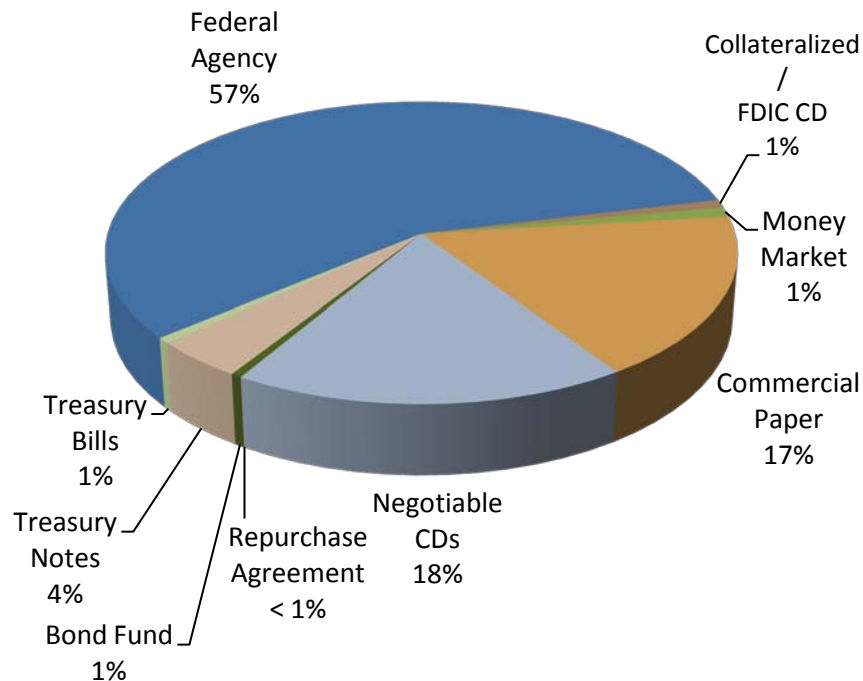




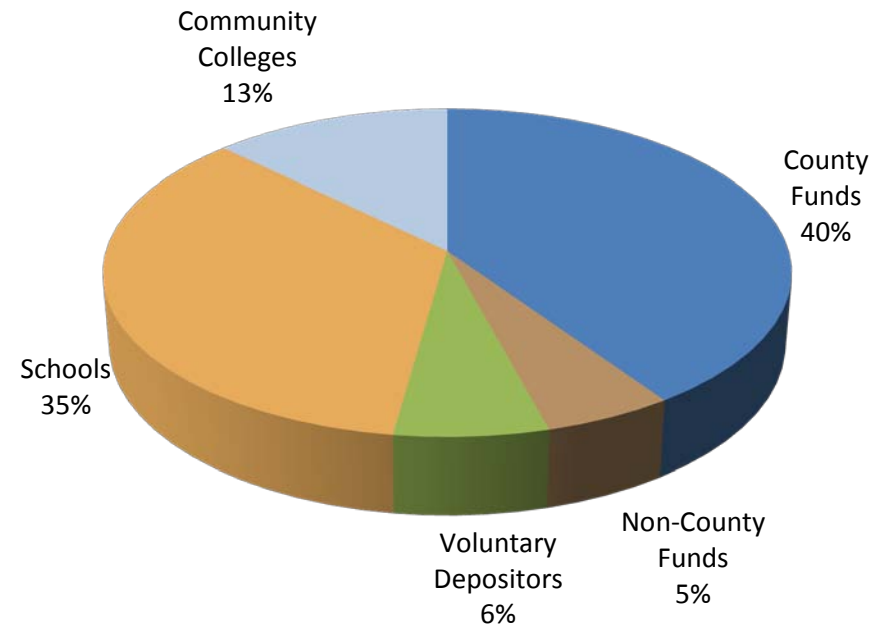
Diversification of Pool Investments and Participants

- Limiting the Pool's exposure to each type of security helps meet liquidity needs and lower risk
- Top 10 Pool Participants are 97% of the total Pool

Asset Allocation
April 2012



Pool Participants
April 2012





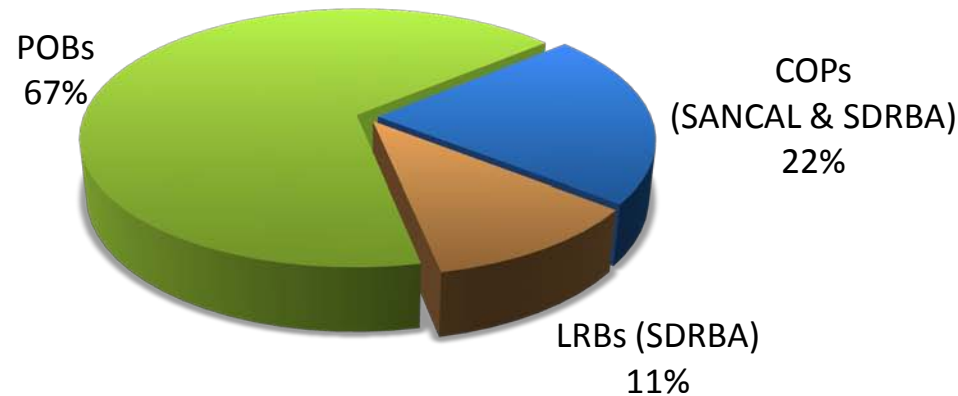
Long-term Obligations



Outstanding Long-term Obligations Payable from the General Fund

| As of June 30, 2012 (000s) | Original Principal Amount | Principal Outstanding | FY 12-13 Principal Payment | Final Maturity |
|--------------------------------------|---------------------------|-----------------------|----------------------------|----------------|
| Certificates of Participation (COPs) | \$519,260 | \$261,360 | \$21,445 | Feb 2042 |
| Lease Revenue Bonds (LRBs) | 136,885 | 133,755 | 3,225 | Feb 2036 |
| Pension Obligation Bonds (POBs) | 929,843 | 806,845 | 38,700 | Aug 2026 |
| TOTAL | \$1,585,988 | \$1,201,960 | \$63,370 | |

Outstanding Principal



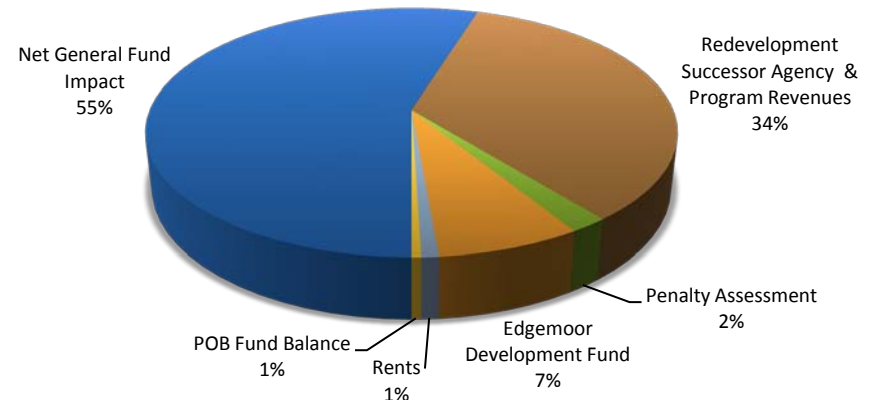


FY 2012-13 Budgeted Payments

- Principal and interest due throughout Fiscal Year 2012-13 will be advanced to the trustee banks at the beginning of the Fiscal Year

| (000s) | Total Proposed Budget | Net General Fund Impact | Redevelopment Successor Agency & Program Revenues | Penalty Assessment | Edgemoor Development Fund | Rents | POB Fund Balance |
|--------------|-----------------------|-------------------------|---|--------------------|---------------------------|----------------|------------------|
| SANCAL | \$30,636 | \$15,352 | \$2,904 | \$2,457 | \$9,279 | \$644 | \$-- |
| SDRBA | 12,624 | 12,158 | -- | -- | -- | 466 | -- |
| POBs | 81,467 | 40,841 | 40,016 | -- | -- | -- | \$610 |
| TOTAL | \$124,727 | \$68,351 | \$42,920 | \$2,457 | \$9,279 | \$1,110 | \$610 |

Sources of Principal & Interest Payments



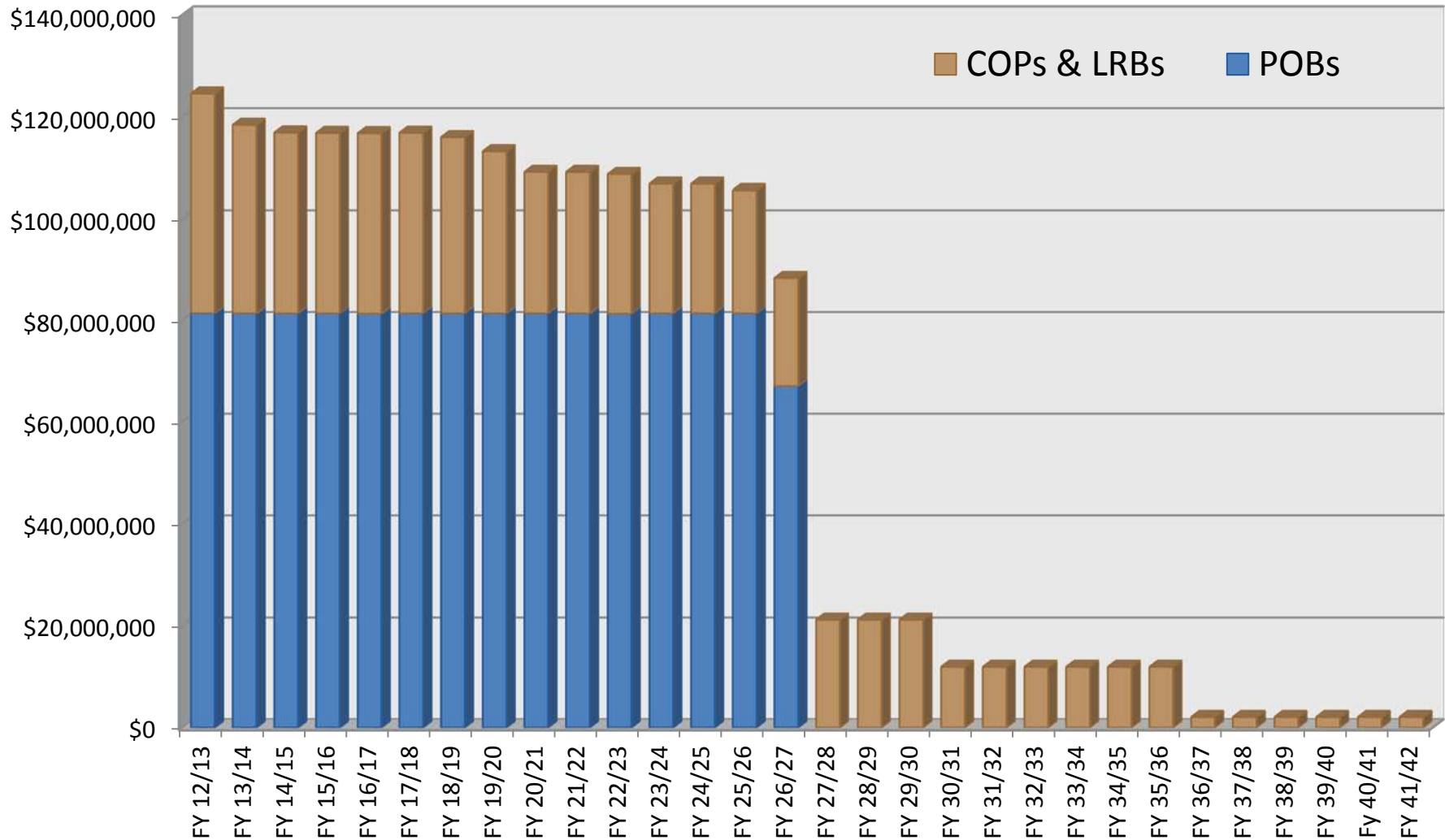
Debt Service Ratios *

| | |
|--|-------|
| County Debt Service Ratio | 3.48% |
| Debt Service Ratio with SANCAL & SDRBA Offsets | 3.04% |
| Debt Service Ratio with All Offsets | 1.91% |

* Debt Service Ratios are the ratio of General Fund secured obligations to General Fund revenue, which excludes fund balance and reserve/designation decreases



Outstanding Debt Service Requirements





Fiscal Year 2012-13 Tax & Revenue Anticipation Note & Cash Flows



FY 2012-13 TRAN *

Estimated Par Amount

\$50 million

Final Maturity

June 28, 2013

Investment of Note Proceeds

County Pool

Anticipated Set-asides

- January 2013 (60%)
- April 2013 (40%)

* Preliminary, subject to change



Financing Schedule *

| Date | Milestone |
|-----------------|--|
| Tuesday, May 8 | •County Board of Supervisors authorized issuance of FY12-13 TRAN |
| Tuesday, May 29 | •Receive Ratings •Post Preliminary Official Statement |
| Week of June 4 | •Pricing |
| Monday, July 2 | •Close |

* Preliminary, subject to change



FY 2011-12 Projected / Actual Cash Flows

COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2011/2012 EST/ACT

(in thousands)

| | Jul Actual | Aug Actual | Sep Actual | Oct Actual | Nov Actual | Dec Actual | Jan Actual | Feb Actual | Mar Actual | Apr Actual | May Estimate | Jun Estimate | Total | 11/12 TRAN Budget | Variance |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------|-------------------------|-----------|
| 1 Beginning Cash Balance | 750,236 | | | | | | | | | | | | 750,236 | 647,506 | 102,730 |
| Revenue Categories: | | | | | | | | | | | | | | | |
| 2 Taxes Current Property | - | 5,728 | 4,282 | 4,895 | 17,218 | 180,927 | 70,968 | 6,772 | 13,422 | 146,638 | 34,252 | 18,419 | 503,521 | 505,814 | (2,293) |
| 3 Taxes Other Than Current Secured | 11,219 | 5,767 | 8,585 | 5,869 | 6,093 | 4,961 | 161,307 | 5,233 | 4,426 | 4,150 | 158,186 | 13,451 | 389,247 | 381,647 | 7,600 |
| Licenses, Permits & Franchises | 2,518 | 3,677 | 2,679 | 2,559 | 3,926 | 2,648 | 4,299 | 3,290 | 3,005 | 7,939 | 2,722 | 2,456 | 41,718 | 41,618 | 100 |
| Fines, Forfeitures & Penalties | 1,569 | 1,765 | 1,522 | 2,102 | 4,815 | 1,953 | 3,115 | 5,075 | 2,263 | 3,096 | 7,206 | 18,781 | 53,262 | 54,364 | (1,102) |
| Revenue Use - Money & Property | 2,981 | 2,789 | 1,218 | 1,512 | 750 | 651 | 1,302 | 687 | 676 | 1,508 | 672 | 484 | 15,230 | 17,691 | (2,462) |
| Intergovernmental Revenue | 61,444 | 149,932 | 84,789 | 154,231 | 77,783 | 179,776 | 110,617 | 147,396 | 112,417 | 171,071 | 146,643 | 174,561 | 1,570,659 | 1,749,784 | (179,125) |
| Charges for Current Services | 20,301 | 20,788 | 15,441 | 22,056 | 28,806 | 21,822 | 24,567 | 23,188 | 19,369 | 38,124 | 21,746 | 24,481 | 280,689 | 289,105 | (8,417) |
| Miscellaneous Revenue | 1,508 | 604 | 6,347 | 1,995 | 2,948 | 6,150 | 17,993 | 915 | 2,744 | 3,994 | 4,953 | 6,953 | 57,103 | 25,692 | 31,411 |
| Other Financing Sources | 19,237 | 407 | 3,913 | 16,839 | 16,760 | 25,009 | 18,931 | 19,022 | 29,193 | 16,309 | 24,200 | 34,650 | 224,470 | 241,422 | (16,952) |
| Total Revenues | 120,776 | 191,457 | 128,777 | 212,058 | 159,098 | 423,897 | 413,100 | 211,578 | 187,515 | 392,827 | 400,580 | 294,235 | 3,135,898 | 3,307,137 | (171,239) |
| 4 Teeter Receipts | 23,273 | 4,360 | 10,369 | 6,427 | 7,247 | 3,911 | 5,253 | 2,341 | 2,228 | 2,201 | 3,611 | 3,534 | 74,754 | 105,000 | (30,246) |
| Short Term Borrowing (Trans) | 50,000 | | | | | | | | | | | | 50,000 | 50,000 | - |
| Total Receipts | 194,049 | 195,817 | 139,145 | 218,486 | 166,346 | 427,808 | 418,353 | 213,919 | 189,743 | 395,028 | 404,191 | 297,769 | 3,260,652 | 3,462,137 | (201,485) |
| Expenditure Categories: | | | | | | | | | | | | | | | |
| 5 Salaries & Employee Benefits | 492,420 | 94,194 | 116,813 | 83,107 | 79,871 | 81,016 | 80,438 | 80,659 | 117,749 | 82,327 | 83,400 | 83,481 | 1,475,475 | 1,529,218 | (53,743) |
| Services and Supplies | 84,825 | 85,585 | 83,967 | 87,127 | 85,373 | 68,337 | 92,518 | 80,470 | 89,733 | 97,789 | 97,984 | 118,598 | 1,072,305 | 1,185,036 | (112,730) |
| 6 Other Charges | 87,438 | 27,044 | 54,943 | 35,633 | 33,358 | 47,907 | 28,533 | 29,779 | 54,283 | 43,032 | 49,012 | 48,669 | 539,630 | 600,111 | (60,481) |
| Fixed Assets - Equipment | 355 | 822 | 1,052 | 868 | 221 | 286 | 200 | 934 | 675 | 164 | 304 | 547 | 6,429 | 8,070 | (1,641) |
| Operating Transfers | 3,120 | 203 | 6,177 | 3,946 | 38,264 | 3,888 | 5,368 | 27,714 | 7,003 | 12,247 | 16,543 | 15,156 | 139,629 | 152,580 | (12,951) |
| Total Expenditures | 668,158 | 207,848 | 262,953 | 210,681 | 237,087 | 201,433 | 207,057 | 219,556 | 269,443 | 235,560 | 247,242 | 266,450 | 3,233,468 | 3,475,015 | (241,547) |
| Teeter Disbursements | | | | | | | | | | | | 78,000 | 78,000 | 95,700 | (17,700) |
| Short-Term Borrowing (Trans) | | | | | | | 30,000 | | | 20,000 | | | 50,000 | 50,000 | - |
| Total Disbursements | 668,158 | 207,848 | 262,953 | 210,681 | 237,087 | 201,433 | 237,057 | 219,556 | 269,443 | 255,560 | 247,242 | 344,450 | 3,361,468 | 3,620,715 | (259,247) |
| General Fund Month Ending Cash | 276,127 | 264,096 | 140,288 | 148,093 | 77,352 | 303,727 | 485,023 | 479,386 | 399,686 | 539,154 | 696,102 | 649,421 | 649,421 | 488,929 | 160,492 |
| 7 Tobacco Tax Settlement Ending Cash | 8,060 | 8,049 | 8,060 | 8,071 | 8,071 | 8,071 | 8,083 | 8,083 | 8,083 | 8,090 | 8,090 | 8,090 | 8,090 | 8,049 | 41 |
| Cash Balance Including Tobacco | 284,187 | 272,145 | 148,348 | 156,165 | 85,423 | 311,798 | 493,106 | 487,469 | 407,769 | 547,244 | 704,192 | 657,511 | 657,511 | 496,978 | 160,533 |

Footnotes:

- Beginning cash is for the General Fund only.
- Property tax payments are received in Dec and Apr. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.
- VLF- in-lieu payments are apportioned each Jan and May.
- Teeter cash receipts of \$105M are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- Jul includes \$327M for Retirement Advances and OPEB, and \$81.3M for POBs. Sep and Mar have three pay periods. The third pay period does not include health benefits. Aug includes a 2% (\$18M) one-time monetary payment of annual base wages.
- Jul includes \$38.9M annual lease payment.
- The Tobacco Settlement Trust Fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate trust fund.



FY 2012-13 Projected Cash Flows

| COUNTY OF SAN DIEGO GENERAL FUND MONTHLY CASH FLOW SUMMARY FISCAL YEAR 2012/2013 EST (in thousands) | | | | | | | | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------|
| | Jul Estimate | Aug Estimate | Sep Estimate | Oct Estimate | Nov Estimate | Dec Estimate | Jan Estimate | Feb Estimate | Mar Estimate | Apr Estimate | May Estimate | Jun Estimate | Total |
| 1 Beginning Cash Balance | 657,511 | | | | | | | | | | | | 657,511 |
| Revenue Categories: | | | | | | | | | | | | | |
| 2 Taxes Current Property | - | 5,469 | 4,787 | 4,882 | 14,834 | 182,034 | 69,812 | 5,804 | 12,640 | 143,960 | 46,750 | 19,519 | 510,491 |
| 3 Taxes Other Than Current Secured | 11,650 | 5,206 | 10,276 | 5,945 | 7,743 | 5,612 | 160,566 | 5,154 | 4,853 | 8,087 | 148,017 | 10,512 | 383,622 |
| Licenses, Permits & Franchises | 2,370 | 3,255 | 2,638 | 2,230 | 3,543 | 3,016 | 3,876 | 3,655 | 3,036 | 8,038 | 3,086 | 2,870 | 41,613 |
| Fines, Forfeitures & Penalties | 2,248 | 1,835 | 1,721 | 2,617 | 5,124 | 1,897 | 3,566 | 4,459 | 4,347 | 4,481 | 8,663 | 10,973 | 51,930 |
| Revenue Use - Money & Property | 3,465 | 1,127 | 1,024 | 1,476 | 607 | 565 | 1,264 | 810 | 557 | 1,542 | 938 | 528 | 13,903 |
| Intergovernmental Revenue | 87,698 | 130,493 | 107,890 | 188,183 | 131,265 | 172,873 | 153,943 | 145,937 | 147,726 | 159,847 | 152,890 | 199,679 | 1,778,425 |
| Charges for Current Services | 20,524 | 21,017 | 15,612 | 22,299 | 29,123 | 22,063 | 24,838 | 23,444 | 19,583 | 38,544 | 30,352 | 24,750 | 292,148 |
| Miscellaneous Revenue | 1,130 | 453 | 4,757 | 1,495 | 2,210 | 4,610 | 2,243 | 686 | 2,057 | 2,993 | 3,712 | 5,211 | 31,556 |
| Other Financing Sources | 20,054 | 707 | 21,520 | 20,663 | 21,048 | 25,515 | 20,057 | 23,181 | 32,769 | 20,822 | 22,594 | 35,186 | 264,115 |
| Total Revenues | 149,139 | 169,561 | 170,225 | 249,790 | 215,497 | 418,184 | 440,165 | 213,129 | 227,567 | 388,314 | 417,003 | 309,229 | 3,367,803 |
| 4 Teeter Receipts | 19,649 | 3,500 | 10,783 | 7,854 | 5,486 | 5,194 | 5,226 | 2,552 | 2,663 | 4,618 | 4,621 | 2,856 | 75,000 |
| Short Term Borrowing (Trans) | 50,000 | | | | | | | | | | | | 50,000 |
| Total Receipts | 218,788 | 173,061 | 181,008 | 257,644 | 220,983 | 423,378 | 445,390 | 215,681 | 230,230 | 392,932 | 421,623 | 312,085 | 3,492,803 |
| Expenditure Categories: | | | | | | | | | | | | | |
| 5 Salaries & Employee Benefits | 507,755 | 125,940 | 88,291 | 88,600 | 88,138 | 87,693 | 87,572 | 87,761 | 126,949 | 88,760 | 88,073 | 88,159 | 1,553,691 |
| Services and Supplies | 104,076 | 91,746 | 99,769 | 101,298 | 88,112 | 86,856 | 98,552 | 87,095 | 102,805 | 101,155 | 98,955 | 107,052 | 1,167,472 |
| 6 Other Charges | 84,822 | 43,865 | 55,318 | 37,878 | 38,108 | 52,549 | 38,100 | 37,670 | 54,759 | 53,341 | 38,011 | 38,913 | 573,336 |
| Fixed Assets - Equipment | 1,156 | 269 | 189 | 93 | 468 | 598 | 244 | 440 | 1,744 | 601 | 244 | 440 | 6,484 |
| Operating Transfers | 7,519 | 6,392 | 7,051 | 8,135 | 12,985 | 9,422 | 10,372 | 13,813 | 12,497 | 11,278 | 13,053 | 12,936 | 125,454 |
| Total Expenditures | 705,328 | 268,213 | 250,618 | 236,004 | 227,811 | 237,118 | 234,840 | 226,779 | 298,754 | 255,136 | 238,336 | 247,500 | 3,426,437 |
| Teeter Disbursements | | | | | | | | | | | | 75,000 | 75,000 |
| Short-Term Borrowing (Trans) | | | | | | | 30,000 | | | 20,000 | | | 50,000 |
| Total Disbursements | 705,328 | 268,213 | 250,618 | 236,004 | 227,811 | 237,118 | 264,840 | 226,779 | 298,754 | 275,136 | 238,336 | 322,500 | 3,551,437 |
| Month End Cash Balance | 170,971 | 75,818 | 6,208 | 27,848 | 21,020 | 207,280 | 387,830 | 376,732 | 308,208 | 426,005 | 609,292 | 598,876 | 598,876 |

Footnotes:

- Actual beginning cash balance includes Tobacco Settlement Trust of \$8M. The Tobacco Settlement Trust fund represents amounts that are available to the General Fund, however, to facilitate tracking of these balances, they are maintained in a separate fund.
- Property tax payments are received in Dec and Apr. The County participates in the alternative method of secured property tax apportionment (the TEETER Plan) available under the Revenue and Taxation Code of the State of California.
- VLF- in- lieu payments are apportioned each Jan and May.
- Teeter cash receipts of \$75M are reflected in the General Fund because the County will continue to internally fund the Teeter Plan.
- Jul includes \$337.4M for Retirement Advances and OPEB, and \$80.8M for POBs. Aug and Mar have three pay periods. The third pay period does not include health benefits.
- Jul includes \$43.3M annual lease payment.



Closing Remarks



Credit Highlights

- Conservative financial management
 - Continued and close review and monitoring of County cost structure
 - Ongoing programs
 - Retirement
 - Revenue sources
 - Low and manageable debt levels, with a practice of paying cash
 - Annual review of capital program, which is largely funded with cash
- County Policies and Administrative Manual formalize the County's strong financial management practices
 - Fund balance and reserves
 - Use of one-time revenues for one-time purposes only
 - Capital Facilities and Space Planning, Use of Capital Program Funds
 - Long-term Obligation Management, Debt Advisory Committee
 - Post-issuance compliance, refunding, and swap policies
 - Risk Overview Committee, Disclosure controls and procedures
 - Treasury Oversight Committee, Investment Policy, Investment Manual



Conclusion

- County operates within a diverse, recovering economy
- County continues to proactively monitor and manage assessed valuation
- County has institutionalized and continues to practice conservative fiscal management:
 - Proactively managing cost structure
 - Consistently maintaining strong fund balances and reserves
 - Close monitoring of current and future capital needs
 - Continued review of and response to pension fund performance
- County continues to position itself to successfully provide services while managing slow economic recovery, uncertainty of State budget actions, and the changing needs of County residents